



House of Representatives

General Assembly

File No. 8

January Session, 2007

House Bill No. 6988

House of Representatives, March 1, 2007

The Committee on Labor and Public Employees reported through REP. RYAN, K. of the 139th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT UPDATING THE SOCIAL SECURITY RETIREMENT AGE TO REFLECT FEDERAL CHANGES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 5-163 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2007*):

4 (a) (1) Each member who retires or who has been retired under the
5 retirement system before [he has attained sixty-five years of age]
6 attaining full retirement age under the Social Security Act, as amended
7 from time to time, shall receive additional temporary monthly
8 retirement income payable until [he] such member reaches [sixty-five
9 years of age] full retirement age under said Social Security Act or, if
10 earlier, the date on which [he] such member would be eligible for a
11 Social Security disability insurance benefit. (2) The amount of such
12 temporary income shall be determined by the Retirement Commission
13 so that the total retirement income payable to the member during the
14 temporary period shall equal that payable under the provisions of the

15 retirement system in effect immediately before February 21, 1958,
16 modified to the extent that the three highest-paid years rather than the
17 five highest-paid years shall be used in determining the retirement
18 income.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2007</i>	5-163(a)
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LAB *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
State Comptroller - Fringe Benefits	State Employees Retirement Fund – Increased Unfunded Liability	Significant	Significant
State Comptroller - Fringe Benefits	GF - Cost	481,000	495,500

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill updates the Social Security retirement age for Tier I members of the State Employees Retirement System (SERS) to reflect the federal change which gradually increases the retirement age to 67. The bill allows Tier I state retirees to receive the SERS additional temporary retirement benefits until they become eligible for full social security benefits. Currently, the SERS additional temporary retirement benefits for Tier I members end at age 65.

Based on Tier I member data, the cost of providing the additional temporary retirement benefits will increase the unfunded liability of the State Employees Retirement System by approximately \$9.6 million. The impact on the state's contribution to SERS is approximately \$481,000 in FY 08 and \$495,500 in FY 09.

Under the bill, Tier I members will receive an average temporary retirement benefit of \$92 per month for an additional 14 months.

Funding for the additional state contribution to SERS resulting from the bill is not included in HB 7077, the Governor's Recommended Budget. The provisions of the State Employees Retirement System are

subject to collective bargaining.

BACKGROUND

State Employees Retirement System (SERS)

Based on June 30, 2006 Valuation	Membership: 89,301
	Active: 50,605
Actuarial Valuation Assets: \$8.9 B	Inactive: 38,696
Actuarial Liability: \$16.8 B	State Contribution (All Funds):
Unfunded Liability: \$7.9 B	FY 08 \$716.9 M
Funded Ratio: 53%	FY 09 \$753.7 M

OLR Bill Analysis**HB 6988*****AN ACT UPDATING THE SOCIAL SECURITY RETIREMENT AGE TO REFLECT FEDERAL CHANGES.*****SUMMARY:**

This bill increases the age, from 65 to the eligibility age for full Social Security retirement benefits, after which a Tier I state retiree no longer receives the additional temporary retirement benefit. Under federal law, the full normal Social Security retirement eligibility age is increasing each year by two-month increments until it reaches age 66 in 2008 (if someone turns 65 in 2007, he or she would not be eligible for full federal benefits until reaching age 65 and 10 months). It will stay at age 66 for 11 years, then gradually increase again until reaching age 67 in 2025. Current state retirement law provides the additional temporary benefit until the retiree reaches age 65.

EFFECTIVE DATE: October 1, 2007

BACKGROUND***Retirement Tiers***

The state employee retirement system has three tiers. Generally, employees hired before July 1, 1984 are in Tier I. Those hired on or after July 1, 1984 and before July 1, 1997 are in Tier II. Those hired on or after July 1, 1997 are in Tier IIA.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 9 Nay 1 (02/13/2007)